

**Wisconsin Department of Transportation (WisDOT)
Bureau of Transit and Local Roads (BTLR)**

Pre-approved Construction Cost Increase Policy

OVERVIEW

This policy provides guidance for developing and managing the Local Program, which consists of the STP-Urban (outside of urbanized areas), STP-Rural, and Local Bridge subprograms. The focus of this policy is on program stability, in particular, unexpected cost increases and inflation that often create instability in the local program.

To accommodate reasonable construction cost increases and inflation, WisDOT has established a schedule of pre-approved cost increases based on the approved project construction estimate. At the time of project approval the pre-approved construction cost increase will be determined by the following guidelines, which will establish the upper range of pre-approved construction cost for federal funding participation.

GENERAL GUIDELINES

STP-Urban (outside of urbanized areas), STP-Rural and Local Bridge construction projects in Wisconsin will be approved for funding based on the cost estimate in the application. This cost will serve as the official estimate for the project unless a formal funding increase is subsequently requested, in writing, by the local unit of government and approved by WisDOT.

WisDOT will use the following steps in to evaluate local construction cost increase requests:

- ***STEP 1***

Before a District Local Programs Manager applies the pre-approved construction cost increases to a project the following approaches/options should be examined and evaluated:

1. Re-scope and down size the project.
2. Drop another approved project and move funds to project with cost increase.
3. Drop the project.
4. Request additional funding for the project under the next program cycle.
5. Locals fund cost increase 100 percent.

- ***STEP 2***

As in past cycles, the anticipated year for construction and project estimate (in current year dollars) would be requested. WisDOT District staff will inflate the total cost at three percent per year to the requested year. The total eligible cost increase is based on whether the total construction cost exceeds **500,000 dollars (threshold typically used on state projects)**.

1. For construction estimates with total inflated costs **less than 500,000 dollars** the federal funding threshold on construction is calculated as follows:

- Inflate four years ($1.03 \times 1.03 \times 1.03 \times 1.03 = 1.13$ factor).
- Add 100,000 dollars to the construction estimate.
- Then multiply by 0.80.

Example: For a 300,000 dollar current year estimate for construction in four years, inflate at three percent per year, then add 100,000 dollars to the total construction estimate $[(300,000 \text{ dollars} \times 1.13) + 100,000 \text{ dollars}] = 439,000 \text{ dollars}$. The federal funding threshold for construction is 80 percent ($439,000 \text{ dollars} \times 0.8$) or **351,200 dollars**.

2. For construction estimates with total inflated costs **500,000 dollars or greater**, the federal funding threshold on construction is 20 percent higher than the calculated 80 percent federal share.

- Inflate three years ($1.03 \times 1.03 \times 1.03 = 1.09$ factor).
- Then multiply by 0.8.
- Then multiply by 1.2.

Example: For a 475,000 dollar current year estimate for construction in three years, inflate at three percent per year (construction year estimate is now greater than 500,000 dollars), multiply by 0.8 for the federal share, then add 20 percent $[(475,000 \text{ dollars} \times 1.09) \times 0.8 \times 1.2] = 497,040 \text{ dollars}$. The federal funding threshold for construction is **497,040 dollars**.

Pre-approved Construction Cost Increase Table

Basic Project (construction <\$500K) Fed Threshold= 100K over construction estimate	Construction Cost (including 15% E & C and inflation)	Federal Threshold for 2007- 2009 Construction phase only	Federal % over Construction estimate
	\$200,000	\$240,000	50%
	\$250,000	\$280,000	40%
	\$300,000	\$320,000	33%
	\$350,000	\$360,000	29%
	\$400,000	\$400,000	25%
	\$450,000	\$440,000	22%
Mid-Range and Large Projects (construction >\$500K) Fed Threshold= 20% over construction estimate			
	\$500,000	\$480,000	20%
	\$750,000	\$720,000	20%
	\$1,000,000	\$960,000	20%
	\$1,500,000	\$1,440,000	20%
	\$2,000,000	\$1,920,000	20%

APPROVAL PROCESS

- ***PRE-APPROVED***

Project costs eligible for funding can increase to the pre-approved maximum without formal BTLR approval. However, BTLR must be notified of any changes such as:

- Changes in project scope
- Increase or decrease in project limits of over 500 ft. per termini
- Combining or dividing of projects

- ***APPROVAL REQUIRED***

Any requests for funding increases above the pre-approved maximum funding level due to unforeseen circumstances (i.e. legislative action) must be approved by BTLR **prior** to any changes/updates in FIIPS. If approved, the maximum funding limit will then be recomputed based on the new estimate.

BTLR will monitor all changes in project cost on a monthly basis and keep a master list of approved projects and any activity on these projects.

PE & R/W

If there is federal funding of PE and/or R/W on a project, the pre-approved federal maximum will be computed based on the approved cost of all funded phases.